REPORT OF THE AUDIT OF THE CUMBERLAND COUNTY CLERK

For The Year Ended December 31, 2003



CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

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CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tim Hicks, Cumberland County Judge/Executive
Honorable Lynn W. Cyphers, Cumberland County Clerk
Members of the Cumberland County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Clerk of Cumberland County, Kentucky, for the year ended December 31, 2003.

We engaged Stephens & Lawson, P.S.C. to perform the audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, P.S.C. evaluated the Cumberland County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

Enclosure



REPORT OF THE AUDIT OF THE CUMBERLAND COUNTY CLERK

For The Year Ended December 31, 2003



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CUMBERLAND COUNTY CLERK

For The Year Ended December 31, 2003

Stephens & Lawson, P.S.C. has completed the Cumberland County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees decreased by \$19,802 from the prior year, resulting in excess fees of \$478 as of December 31, 2003. Revenues decreased by \$18,283 from the prior year and expenditures increased by \$1,519.

Report Comments:

- The County Clerk Should Settle Excess Fees With The Fiscal Court By March 15
- The County Clerk Should Publish The Year-End Settlement In The Local Newspaper

Deposits:

The Clerk's deposits were insured and collateralized by bank securities.

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The Honorable Tim Hicks, Cumberland County Judge/Executive The Honorable Lynn W. Cyphers, Cumberland County Clerk Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees regulatory basis of the County Clerk of Cumberland County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated November 11, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Settle Excess Fees With The Fiscal Court By March 15
- The County Clerk Should Publish The Year-End Settlement In The Local Newspaper

The Honorable Tim Hicks, Cumberland County Judge/Executive The Honorable Lynn W. Cyphers, Cumberland County Clerk Members of the Cumberland County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Cumberland County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Stephens & Lawson, P.S.C. Stephens & Lawson, P.S.C.

Audit fieldwork completed -November 11, 2004

CUMBERLAND COUNTY LYNN W. CYPHERS, COUNTY CLERK STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services		\$ 2,349
Fiscal Court		5,496
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 190,378	
Usage Tax	556,719	
Tangible Personal Property Tax	413,501	
Licenses-		
Fish and Game	6,968	
Marriage	2,036	
Deed Transfer Tax	15,177	
Delinquent Tax	43,697	1,228,476
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$ 8,204	
Real Estate Mortgages	9,179	
Chattel Mortgages and Financing Statements	29,680	
Lien Release Fees	2,066	
Powers of Attorney	305	
All Other Recordings	7,853	
Charges for Other Services-		
Candidate Filing Fees	20	
Copywork	1,910	59,217
Interest Earned		1,070
Total Revenues		\$ 1,296,608

CUMBERLAND COUNTY

LYNN W. CYPHERS, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31, 2003 (Continued)

Expenditures

Payments to State:			
Motor Vehicle-	Φ.	1.40	
Licenses and Transfers	\$	149,652	
Usage Tax		535,180	
Tangible Personal Property Tax		140,553	
Licenses, Taxes, and Fees-			
Fish and Game		6,164	
Delinquent Tax		7,261	
Legal Process Tax		7,159	
Candidate Filing Fees		729	\$ 846,698
Payments to Fiscal Court:			
Tangible Personal Property Tax	\$	28,434	
Delinquent Tax		4,267	
Deed Transfer Tax		14,237	46,938
Payments to Other Districts:			
Tangible Personal Property Tax	\$	228,785	
Delinquent Tax		20,756	249,541
Payments to Sheriff			651
Payments to County Attorney			6,595
Operating Expenditures and Capital Outlay:			
Personnel Services-			
Deputies' Salaries	\$	61,707	
Contracted Services-		,	
Printing and Binding		2,450	
Materials and Supplies-		_,	
Office Supplies		4,686	
Other Charges-		1,000	
Audit Adjustment		(216)	
Conventions and Travel		4,587	
Conventions and Traver		1,207	

CUMBERLAND COUNTY

LYNN W. CYPHERS, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS For The Year Ended December 31, 2003

(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continue	ed)				
Other Charges - (Continued)					
Dues	\$	700			
Postage		2,021			
Utilities		2,829			
Returned Checks		528			
Miscellaneous		3,313			
Capital Outlay-					
Copier		1,509			
Office Equipment		2,588	\$ 86,702		
Total Expenditures				\$	1,237,125
Net Revenues				\$	59,483
Less: Statutory Maximum					54,646
Excess Fees				\$	4,837
Less: Expense Allowance			\$ 3,600	·	,
Training Incentive Benefit			759		4,359
Excess Fees Due County for 2003				\$	478
Payments to Fiscal Court					0
Balance Due Fiscal Court at Completion of Audit				\$	478_

CUMBERLAND COUNTY NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CUMBERLAND COUNTY NOTES TO FINANCIAL STATEMENT December 31, 2003 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grants

The former County Clerk transferred the funds from a local records grant from the Kentucky Department for Libraries and Archives for the purchase of roller shelving to the current County Clerk upon leaving office. The current County Clerk expended \$2,384 during the year leaving no unexpended grant funds from this grant.

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives in the amount of \$3,950 to purchase roller shelving. No funds associated with this grant were expended during the year. The unexpended grant balance was \$3,950 as of December 31, 2003.





CUMBERLAND COUNTY LYNN W. CYPHERS, COUNTY CLERK COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The County Clerk Should Settle Excess Fees With The Fiscal Court By March 15

KRS 64.152 requires that the County Clerk provide a statement of receipts and expenditures of the preceding calendar year, and to settle excess fees with the fiscal court by March 15 each year. For calendar year 2003, the County Clerk still has not settled with the fiscal court on excess fees nor was a statement of receipts and disbursements presented to fiscal court within this time frame.

County Clerk's Response:

This was my first year in office and I will do this in the future.

The County Clerk Should Publish The Year-End Settlement In The Local Newspaper

KRS 424.220(6) and (8) requires the year-end settlement to be published in a local newspaper within 60 days of the close of the calendar year. After publication, the clerk should file a written or printed copy of the advertisement with proof of publication in her office and one copy also with the Auditor of Public Accounts. Lastly, one copy of the financial statement should be filed with the Kentucky Department for Local Government. In lieu of publishing the year-end settlement the clerk may publish a copy of the audit report, quarterly financial reports, or monthly financial reports under the same conditions outlined in KRS 424.220(6) and (8).

County Clerk's Response:

This was my first year in office and I will do this in the future.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable Tim Hicks, Cumberland County Judge/Executive The Honorable Lynn W. Cyphers, Cumberland County Clerk Members of the Cumberland County Fiscal Court

> Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Cumberland County Clerk for the year ended December 31, 2003, and have issued our report thereon dated November 11, 2004. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Cumberland County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u> and which are described in the accompanying comments and recommendations.

- The County Clerk Should Settle Excess Fees With The Fiscal Court By March 15
- The County Clerk Should Publish The Year-End Settlement In The Local Newspaper

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards (Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Clerk internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Stephens & Lawson, P.S.C. Stephens & Lawson, P.S.C.

Audit fieldwork completed - November 11, 2004